



**DEPARTMENT OF AGRICULTURE**

**Agricultural Marketing Service**

**7 CFR Part 966**

**[Doc. No. AMS-SC-16-0088; SC16-966-1 PR]**

**Tomatoes Grown in Florida; Increased Assessment Rate**

**AGENCY:** Agricultural Marketing Service, USDA.

**ACTION:** Proposed rule.

**SUMMARY:** This proposed rule would implement a recommendation from the Florida Tomato Committee (Committee) to increase the assessment rate established for the 2016-17 and subsequent fiscal periods from \$0.03 to \$0.035 per 25-pound carton of tomatoes handled under the marketing order (order). The Committee locally administers the order and is comprised of producers of tomatoes operating within the area of production. Assessments upon Florida tomato handlers are used by the Committee to fund reasonable and necessary expenses of the program. The fiscal period begins August 1 and ends July 31. The assessment rate would remain in effect indefinitely unless modified, suspended, or terminated.

**DATES:** Comments must be received by [INSERT DATE 15 DAYS AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** Interested persons are invited to submit written comments concerning this proposed rule. Comments must be

sent to the Docket Clerk, Marketing Order and Agreement Division, Specialty Crops Program, AMS, USDA, 1400 Independence Avenue SW, STOP 0237, Washington, DC 20250-0237; Fax: (202) 720-8938; or Internet: <http://www.regulations.gov>. Comments should reference the document number and the date and page number of this issue of the **Federal Register** and will be available for public inspection in the Office of the Docket Clerk during regular business hours, or can be viewed at: <http://www.regulations.gov>. All comments submitted in response to this proposed rule will be included in the record and will be made available to the public. Please be advised that the identity of the individuals or entities submitting the comments will be made public on the Internet at the address provided above.

**FOR FURTHER INFORMATION CONTACT:** Steven W. Kauffman, Marketing Specialist, or Christian D. Nissen, Regional Director, Southeast Marketing Field Office, Marketing Order and Agreement Division, Specialty Crops Program, AMS, USDA; Telephone: (863) 324-3375, Fax: (863) 291-8614, or E-mail: [Steven.Kauffman@ams.usda.gov](mailto:Steven.Kauffman@ams.usda.gov) or [Christian.Nissen@ams.usda.gov](mailto:Christian.Nissen@ams.usda.gov).

Small businesses may request information on complying with this regulation by contacting Richard Lower, Marketing Order and Agreement Division, Specialty Crops Program, AMS, USDA, 1400 Independence Avenue SW, STOP 0237, Washington, DC 20250-0237; Telephone: (202) 720-2491, Fax: (202) 720-8938, or E-mail: Richard.Lower@ams.usda.gov.

**SUPPLEMENTARY INFORMATION:** This proposed rule is issued under Marketing Agreement No. 125 and Order No. 966, both as amended (7 CFR part 966), regulating the handling of tomatoes grown in Florida, hereinafter referred to as the "order." The order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), hereinafter referred to as the "Act."

The Department of Agriculture (USDA) is issuing this proposed rule in conformance with Executive Orders 12866, 13563, and 13175.

This proposed rule has been reviewed under Executive Order 12988, Civil Justice Reform. Under the marketing order now in effect, Florida tomato handlers are subject to assessments. Funds to administer the order are derived from such assessments. It is intended that the assessment rate as proposed herein would be applicable to all

assessable Florida tomatoes beginning on August 1, 2016, and continue until amended, suspended, or terminated.

The Act provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15) (A) of the Act, any handler subject to an order may file with USDA a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law and request a modification of the order or to be exempted therefrom. Such handler is afforded the opportunity for a hearing on the petition. After the hearing, USDA would rule on the petition. The Act provides that the district court of the United States in any district in which the handler is an inhabitant, or has his or her principal place of business, has jurisdiction to review USDA's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

This proposed rule would increase the assessment rate established for the Committee for the 2016-17 and subsequent fiscal periods from \$0.03 to \$0.035 per 25-pound carton of tomatoes.

The Florida tomato marketing order provides authority for the Committee, with the approval of USDA, to formulate

an annual budget of expenses and collect assessments from handlers to administer the program. The members of the Committee are producers of Florida tomatoes. They are familiar with the Committee's needs and with the costs of goods and services in their local area and are thus in a position to formulate an appropriate budget and assessment rate. The assessment rate is formulated and discussed in a public meeting. Thus, all directly affected persons have an opportunity to participate and provide input.

For the 2015-16 and subsequent fiscal periods, the Committee recommended, and USDA approved, an assessment rate of \$0.03 per 25-pound carton of tomatoes that would continue in effect from fiscal period to fiscal period unless modified, suspended, or terminated by USDA upon recommendation and information submitted by the Committee or other information available to USDA.

The Committee met on August 16, 2016, and unanimously recommended 2016-17 expenditures of \$1,494,600 and an assessment rate of \$0.035 per 25-pound carton of tomatoes. In comparison, last year's budgeted expenditures were \$1,513,177. The assessment rate of \$0.035 is \$0.005 higher than the rate currently in effect. At the current assessment rate, assessment income would equal only

\$990,000, an amount insufficient to cover the Committee's anticipated expenditures of \$1,494,600. The Committee considered the proposed expenses and recommended increasing the assessment rate.

The major expenditures recommended by the Committee for the 2016-17 year include \$450,000 for salaries, \$400,000 for research, and \$400,000 for education and promotion. Budgeted expenses for these items in 2015-16 were \$435,377, \$400,000, and \$400,000, respectively.

The assessment rate recommended by the Committee was derived by dividing anticipated expenses by expected shipments of Florida tomatoes. Florida tomato shipments for the 2016-17 year are estimated at 33 million 25-pound cartons, which should provide \$1,155,000 in assessment income. Income derived from handler assessments, along with interest income, block grants, and funds from the Committee's authorized reserve, would be adequate to cover budgeted expenses. Funds in the reserve (approximately \$999,361) would be kept within the maximum permitted by the order of no more than approximately one fiscal period's expenses as stated in § 966.44.

The proposed assessment rate would continue in effect indefinitely unless modified, suspended, or terminated by

USDA upon recommendation and information submitted by the Committee or other available information.

Although this assessment rate would be in effect for an indefinite period, the Committee would continue to meet prior to or during each fiscal period to recommend a budget of expenses and consider recommendations for modification of the assessment rate. The dates and times of Committee meetings are available from the Committee or USDA.

Committee meetings are open to the public, and interested persons may express their views at these meetings. USDA would evaluate Committee recommendations and other available information to determine whether modification of the assessment rate is needed. Further rulemaking would be undertaken as necessary. The Committee's 2016-17 budget and those for subsequent fiscal periods would be reviewed and, as appropriate, approved by USDA.

#### **Initial Regulatory Flexibility Analysis**

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA) (5 U.S.C. 601-612), the Agricultural Marketing Service (AMS) has considered the economic impact of this proposed rule on small entities. Accordingly, AMS has prepared this initial regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of businesses subject to such actions in order that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and the rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf.

There are approximately 100 producers of tomatoes in the production area and approximately 80 handlers subject to regulation under the marketing order. Small agricultural producers are defined by the Small Business Administration (SBA) as those having annual receipts less than \$750,000, and small agricultural service firms are defined as those whose annual receipts are less than \$7,500,000 (13 CFR 121.201).

Based on industry and Committee data, the average annual price for fresh Florida tomatoes during the 2015-16 season was approximately \$11.27 per 25-pound carton, and total fresh shipments were approximately 28.2 million cartons. Using the average price and shipment information, number of handlers, and assuming a normal distribution, the majority of handlers have average annual receipts below \$7,500,000. In addition, based on production data, an



estimated grower price of \$6.25, and the total number of Florida tomato growers, the average annual grower revenue is above \$750,000. Thus, a majority of the handlers of Florida tomatoes may be classified as small entities while a majority of the producers may be classified as large entities.

This proposal would increase the assessment rate established for the Committee and collected from handlers for the 2016-17 and subsequent fiscal periods from \$0.03 to \$0.035 per 25-pound carton of tomatoes. The Committee unanimously recommended 2016-17 expenditures of \$1,494,600 and an assessment rate of \$0.035 per 25-pound carton handled. The proposed assessment rate of \$0.035 is \$.005 higher than the 2015-16 rate. The quantity of assessable tomatoes for the 2016-17 season is estimated at 33 million 25-pound cartons. Thus, the \$0.035 rate should provide \$1,155,000 in assessment income. Income derived from handler assessments, along with funds from interest income, MAP funds, and block grants, should provide sufficient funds to meet this year's anticipated expenses.

The major expenditures recommended by the Committee for the 2016-17 year include \$450,000 for salaries, \$400,000 for research, and \$400,000 for education and

promotion. Budgeted expenses for these items in 2015-16 were \$435,377, \$400,000, and \$400,000, respectively.

At the current assessment rate, assessment income would equal only \$990,000, an amount insufficient to cover the Committee's anticipated expenditures of \$1,494,600. The Committee considered the proposed expenses and recommended increasing the assessment rate.

Prior to arriving at this budget and assessment rate, the Committee considered information from various sources, such as the Committee's Executive Subcommittee, Research Subcommittee, and Education and Promotion Subcommittee. Alternative expenditure levels were discussed by these groups, based upon the relative value of various activities to the tomato industry. The Committee determined that 2016-17 expenditures of \$1,494,600 were appropriate, and the recommended assessment rate, along with funds from interest income, block grants, and funds from reserves, would be adequate to cover budgeted expenses.

A review of historical information and preliminary information pertaining to the upcoming crop year indicates that the average grower price for the 2016-17 season could be approximately \$6.50 per 25-pound carton of tomatoes. Therefore, the estimated assessment revenue for the 2016-17

crop year as a percentage of total grower revenue would be approximately 0.5 percent.

This action would increase the assessment obligation imposed on handlers. While assessments impose some additional costs on handlers, the costs are minimal and uniform on all handlers. Some of the additional costs may be passed on to producers. However, these costs would be offset by the benefits derived by the operation of the marketing order.

The Committee's meeting was widely publicized throughout the Florida tomato industry, and all interested persons were invited to attend the meeting and participate in Committee deliberations on all issues. Like all Committee meetings, the August 16, 2016, meeting was a public meeting, and all entities, both large and small, were able to express views on this issue. Finally, interested persons are invited to submit comments on this proposed rule, including the regulatory and informational impacts of this action on small businesses.

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the order's information collection requirements have been previously approved by the Office of Management and Budget (OMB) and assigned OMB No. 0581-0178

Vegetable and Specialty Crops. No changes in those requirements are necessary as a result of this action. Should any changes become necessary, they would be submitted to OMB for approval.

This proposed rule would impose no additional reporting or recordkeeping requirements on either small or large Florida tomato handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies.

AMS is committed to complying with the E-Government Act, to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

USDA has not identified any relevant Federal rules that duplicate, overlap, or conflict with this action.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: <http://www.ams.usda.gov/rules-regulations/moa/small-businesses>. Any questions about the compliance guide should be sent to Richard Lower at the

previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

A 15-day comment period is provided to allow interested persons to respond to this proposed rule. Fifteen days is deemed appropriate because: (1) The 2016-17 fiscal period began on August 1, 2016, and the marketing order requires that the rate of assessment for each fiscal period apply to all assessable Florida tomatoes handled during such fiscal period; (2) the Committee needs to have sufficient funds to pay its expenses, which are incurred on a continuous basis; and (3) handlers are aware of this action, which was unanimously recommended by the Committee at a public meeting and is similar to other assessment rate actions issued in past years.

**List of Subjects in 7 CFR Part 966**

Marketing agreements, Reporting and recordkeeping requirements, Tomatoes.

For the reasons set forth in the preamble, 7 CFR part 966 is proposed to be amended as follows:

**PART 966 - TOMATOES GROWN IN FLORIDA**

1. The authority citation for 7 CFR part 966 continues to read as follows:

Authority: 7 U.S.C. 601-674.

2. Section 966.234 is revised to read as follows:  
§ 966.234 Assessment rate.

On and after August 1, 2016, an assessment rate of \$0.035 per 25-pound carton is established for Florida tomatoes.

Dated: November 18, 2016

Elanor Starmer  
Administrator  
Agricultural Marketing Service

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